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SUBJECT: IRAN'S COMMERCIAL INTERESTS IN ZAMBIA

REF: LUSAKA 44

11. (U) This cable is Sensitive But Unclassified. Please protect accordingly.

12. (SBU) Summary. Although Iran does not maintain an official diplomatic presence in Lusaka, Iranian companies show a modest level of commercial interest in Zambia. Imports of Iranian oil may increase over time, as may Zambian exports of tobacco. Although overall trade figures are small, the amount of commercial activity may be rising. Export data suggest that Iran views Zambia as a viable export market, but trade has generally been ad hoc and small scale. Accurate data may be difficult to capture, as some of the trade is transacted through third parties. The GRZ has made a deliberate effort to ensure that its commercial relationship with Iran does not cross over political lines. End Summary.

Modest (yet persistent) Commerce

13. (SBU) Despite the absence of an Embassy or an official presence in Zambia, Iranian companies show a modest level of interest in Zambia. P/E Officer obtained the following statistics from the Common Market for Eastern and Southern Africa (COMESA) regarding Zambian trade with Iran between 1997-2006. Figures are in USD.

Year	Exports to Iran	Imports from Iran
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1997	0	7,297,988
1998	0	208,408
1999	7,408	161,500
2000	2,933	495,243
2001	9,154	1,718,421
2002	0	538,453
2003	1,061,039	352,572
2004	0	597,733
2005	278,448	310,882
2006	0	1,506,054

14. (SBU) Zambia's exports to Iran consist almost entirely of tobacco. Given the tobacco industry's growth in Zambia, it is possible that tobacco exports will increase. Iranian imports are comprised primarily of petroleum, chemicals, tractors, office and data processing machinery, tools, and furniture/furnishing items. A private sector contact suggested to P/E Officer that Iranian entrepreneurs and traders residing in Zambia drive a majority of the commerce,

which consists primarily of small-scale transactions. (Note: Although the nominal value of trade is low, the data show an increase in the range of products being traded, pointing to a broadening--though not necessarily deepening--level of commercial activity. End Note.) Iran participates in Zambia's annual trade shows, where its textiles and carpets have enjoyed popular appeal. As a share of total trade, imports from Iran represent less than one percent of total Zambian imports in 2006, and Zambian exports to Iran are negligible. Zambia's bilateral trade with Iran is relatively consistent with overall COMESA-wide trend, which shows a slight increase in trade with Iran over the same period.

Business, Not Politics

¶5. (SBU) The GRZ has made a deliberate effort to ensure that its commercial relationship with Iran does not cross over political lines. In 2003, a high-level delegation visiting from Iran indicated an interest and capability in a public-private partnership to construct hydro-electric power plant. The discussions resulted in a deal between FARAB, an Iranian energy company, and Zambia's parastatal electricity provider ZESCO for the development of a 120 MW plant at Itezhi-Tezhi valued at USD 150 million. In the following years, however, Iran pressured the GRZ to side with it on sensitive issues in the United Nations. According to Embassy contacts at ZESCO, the GRZ decided to pull out of the deal--when the project was at the pre-design stage and discussions on financing were already underway--so the Iranians would not use the project for political leverage. In 2006, the GRZ awarded the Itezhi-Tezhi deal to TATA, an Indian company.

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Trade in Petroleum May Increase

¶6. (SBU) Recent developments suggest that trade in petroleum products may increase in the period ahead. In October 2007, Indeni Oil Refinery (which is a joint venture between the GRZ and the French oil company Total) agreed to purchase 60,000 tons of crude oil valued at USD 45 million through Gallic Oil, an agent of Litasco of Switzerland. Citibank declined to finance the transaction when it learned that the transaction involved Iranian oil. The transaction later went through when Finance Bank (a local commercial bank) provided financing.

¶7. (SBU) Following the October transaction, the GRZ announced its decision to turn over the responsibility for managing the nation's crude oil supply to Indeni Oil Refinery. In November 2007, the GRZ solicited tenders to supply Indeni Refinery with USD 1.4 million tons of crude oil over a two-year period. On January 5, the GRZ awarded the contract to the Independent Petroleum Group, a Kuwaiti firm. Although the GRZ has not published the tenders, the Zambia National Tender Board announced in late November that the proposal with the lowest oil price included crude oil from Iran.

¶8. (SBU) Comment. If Independent Petroleum purchases its oil from Iran, the GRZ is unlikely to feel beholden to Iran given its sensible decision to distance itself from the petroleum transactions. The GRZ's reaction to pressure during the Itezhi-Tezhi negotiations is also encouraging.
MARTINEZ